

INITIAL STATEMENT OF REASONS

4402.2: Critical Proposal

SPECIFIC PURPOSE OF THE AMENDMENT TO THE REGULATION

The proposed amendment would allow the Panel to offer a comprehensive package of training incentives for businesses to relocate into, expand within or remain within California, thereby improving the economic climate in California by increasing and retaining a large number of California jobs. Specifically, this proposed amendment will clarify that an expedited application process exists for companies that are (1) locating into California, (2) expanding their California workforce, or (3) retaining their California workers and making efforts to remain in California rather than relocating elsewhere. Furthermore, certain standard criteria of Panel-funded training projects may not be applicable to these companies because of different training needs resulting from the establishment of a new facility and relatively rapid hiring of employees in California. To quickly address these unique training requirements, the proposed amendment will provide the Panel with the discretion to modify certain existing regulatory funding eligibility criteria on a case-by-case basis.

The amended regulation will specify that this expedited application process and modified funding eligibility criteria will be used only for companies which are part of a joint effort by State economic development entities that have determined that workforce training would provide a valuable incentive to certain businesses considering moving into California, or expanding within California, as well as providing an incentive to retain businesses that are considering moving their California operations out of California.

NECESSITY

The Panel strives to be a vital partner in California's economic development by continually reassessing its programs and evolving its efforts to respond to changing economic conditions. The current high level of unemployment in the state is a circumstance that requires rapid Panel action to encourage the creation and retention of California jobs.

The recent economic downturn has resulted in the closure of many California companies as well as the relocation of numerous California companies out of California. As a consequence of these closures and relocations, a substantial number of California workers are now unemployed.

California must take action to begin its recovery towards a healthy and competitive economy. One of the critical actions that California must take is to attract more out-of-state businesses to relocate into California, to encourage

current California businesses to expand within the State and to encourage current California businesses to remain in California. These actions will create new jobs for unemployed California workers and ensure that employed California workers remain employed. State and local economic development entities work to provide a comprehensive package of tax and other government incentives to attract these companies to California and retain these companies in California.

In its enabling legislation, the Panel is directed, among other priorities, to train employees of companies locating or expanding in California that provide high-skilled, high-wage jobs. As California's only state program that funds training for incumbent workers, the Panel is in the unique and critical position to offer its funds to train existing employees of companies as part of the state incentives package offered to attract and retain businesses in California. In response to the current economic climate, the Panel recently determined that it must strengthen its focus on economic development to attract and retain companies.

As a result of its participation in several recent joint state efforts to attract and retain businesses in California, the Panel determined that the current regulatory structure inhibits the Panel's ability to properly address the training needs of businesses that are considering locating in, expanding, or leaving the state. The proposed amendment will assist in creating a simplified application process for those companies identified as considering California for their operations and as needing the workforce training for which the Panel can provide assistance.

These types of "Critical Proposals" would benefit the California economy both by bringing new jobs to California and by retaining jobs already located in the California. Moving production and service operations to a different state represents an extremely large investment of funds and resources to companies considering establishing business in California. These companies, which could substantially add to the general welfare by reducing unemployment here, need some immediate assurance that the regulatory requirements for workforce training are amenable to establishment of operations in California.

For example, one business which plans to expand in California by adding a new facility and hiring and training more than 500 employees will not be able to meet the Panel's training definitions as currently specified in regulation due to federal requirements regarding training for its industry. Without such a modification, the business will not be able to properly train its new employees with Panel funds and may decide to locate its new facility outside California to another state that can provide it with the training funds it needs.

For these reasons, the Panel needs the ability to properly offer funds to address the training needs of businesses that are considering locating into or leaving California. Therefore the Panel must amend Section 4402.2 to clarify the criteria for participation in the expedited application process as well as to provide the Panel with the discretion to modify certain funding eligibility criteria.

If this proposed amendment to the regulation is not approved, the Panel will not be able to participate effectively in fast-moving joint economic development negotiations with businesses identified as outstanding prospects for receipt of workforce training under the aegis of "Critical Proposals." Specifically, the Panel would not be able to offer appropriate workforce training incentives. Without the ability to modify the eligibility criteria, the Panel will be unable to offer a comprehensive package of training incentives to meet the targeted businesses' needs, which would put the State of California at a disadvantage in negotiations to attract and retain businesses.

TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDY, REPORTS, OR DOCUMENTS

Except for the Panel Strategic Plan 2003-2004 and the Annual Report 2002-03, the Panel did not rely upon any other technical, theoretical, or empirical studies, reports or documents in proposing this regulatory action.

ALTERNATIVES TO THE REGULATIONS CONSIDERED BY THE AGENCY AND THE AGENCY'S REASONS FOR REJECTING THOSE ALTERNATIVES

No other alternatives were presented to or considered by the Panel.

ALTERNATIVES TO THE PROPOSED REGULATORY ACTION THAT WOULD LESSEN ANY ADVERSE IMPACT ON SMALL BUSINESS

The Panel has not identified any alternatives that would lessen any adverse impact on small businesses. The proposed regulation would not have an adverse impact on small business.

EVIDENCE SUPPORTING FINDING OF NO SIGNIFICANT ADVERSE ECONOMIC IMPACT ON ANY BUSINESS

The proposed regulatory action does not impose any expenses on businesses. Therefore, the proposed regulatory action would not have a significant adverse economic impact on any business.